PROCESS
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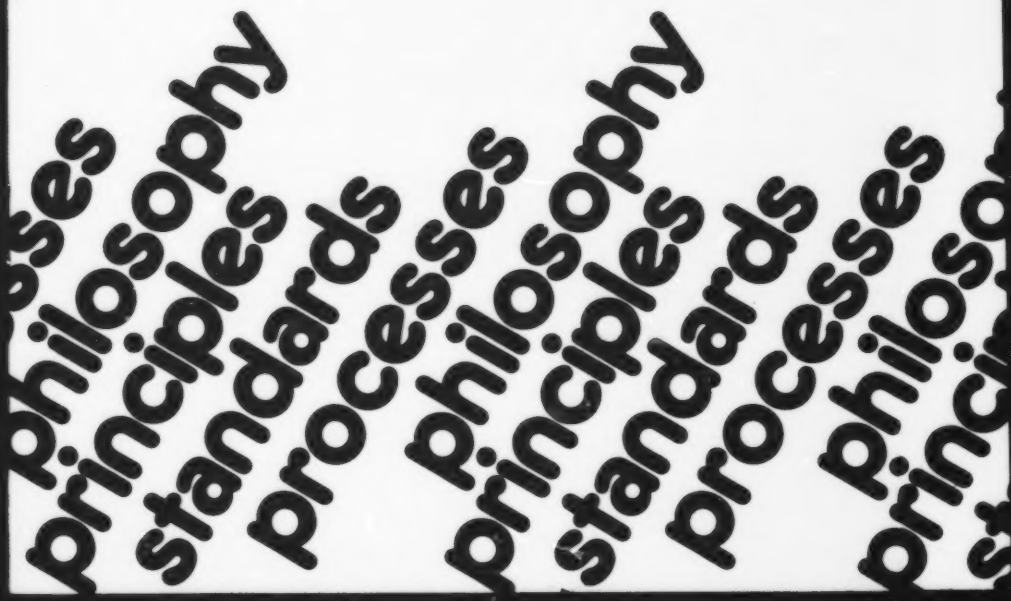
Ontario

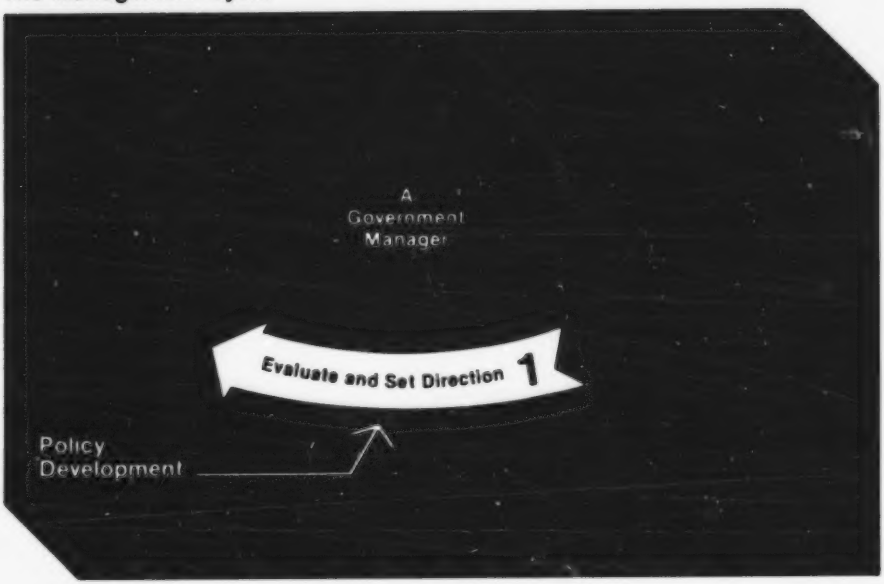
Management
Board
of Cabinet

OPS Management
Series

Policy Development



The Management Cycle



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Preface

In March 1980, Cabinet approved the establishment of the Management Standards Project within the Management Board Secretariat. The project's mandate, to lay the groundwork for further improving management in government, includes developing a publication series that contains standards for the quality of management processes.

The Ontario's Principles and Standards of Management series is organized within the framework of the Management Cycle (shown on inside front cover) and its five sequential management functions. This booklet describes the ministry management process of policy development, which forms part of the "Evaluate and Set Direction" function. It contains standards that were developed by a working group of staff from ministries in consultation with all ministries and central agencies.

These "standards of excellence" are a set of criteria against which ministries can assess the quality of their policy development processes. They can be used as a guide for developing a process or for improving an existing one. Perhaps not all ministries will meet all the standards immediately, but every ministry has a process base on which to build. Revision of these standards will be necessary as times and needs change.

Whatever method of accountability for meeting standards is applied, managers should use them as a basic measure of the quality of their management practices. The motivation for meeting the standards will continue to be self-imposed striving for excellence.

The Management Standards Project gratefully acknowledges the contributions of all those individuals involved in the development of these standards.

1. Introduction

The government environment of the 80s has brought into sharp focus the need for continued sound public policy making. The use that is made of public resources and the match that exists between government services and public needs are under constant scrutiny. Government decision makers are ever-mindful of their accountability to the public they serve.

Policy-making is a Cabinet responsibility, carried out by elected representatives. In this role, they are assisted by senior public service managers, who support Cabinet decision making by supplying the best available information, advising Ministers, implementing policies, and administering programs.

In the present environment, senior managers are called upon to achieve a high level of competence in public policy development. The policy development process described in this booklet is meant to assist them in increasing their effectiveness in this area of responsibility. The ultimate aim of the process is to facilitate the development of sound policies, although the process itself does not guarantee the quality of the results.

Policy, as the term is used here, refers to a definite course or method of action, selected among alternatives and in the light of given conditions, to guide and usually to determine present and future decisions. Policies are developed to meet identified needs and to address existing and emerging issues. They arise out of problem identification and evaluation and hence are associated with the first function of the Management Cycle, "Evaluate and Set Direction." (A related process within the same management function is strategic planning, discussed in a separate booklet in this series.)

Policies are developed at many levels in the public sector, and they can be divided into three general categories:

- public policies;
- strategic policies; and
- management policies.

Public policies have a direct or indirect impact on the public. They could include, for example, the existence or continuation of rent review, the provision of tax grants to senior citizens, or a change in the curriculum guidelines provided to local school boards. Strategic policies may or may not be public policies. They are often the expression of a ministry strategy to cope with a specific situation or issue such as a request for increased levels of service from a client or interest group, or intergovernmental negotiations on cost sharing agreements or specific jurisdictional issues.

Management policies include those such as operational, administrative and personnel directives, focused on the internal structures of the public service or of ministries.

This booklet is concerned primarily with the development of public policies at the ministry level. The basic steps of the process, however, are generally applicable to every type and level of policy development.

2. The Process Summarized

Definition

Policy development is a management process in which proposals to address specific public needs or resolve specific policy issues are developed, documented, and presented for approval. Although the end product of policy is action directed to the achievement of government and ministry goals, the process described here does not include the actual implementation of policy proposals.

Objectives of the Process

The policy development process has the following broad aims:

- to assist in resolving identified issues, satisfy established policy objectives, and meet public needs;
- to support and respond to the political decision-making system; and
- to facilitate the development of sound policies and thereby enhance a ministry's effectiveness.

Components of the Process

Policy development has three main components, which comprise a sequence of overlapping steps:

1. analysis and development;
2. documentation; and
3. presentation for approval.

These three steps provide a general framework for the development of policy in all ministries.

Although the steps are carried out in the sequence indicated, the actual process of policy development may involve a number of cycles through each one. The manner in which this occurs becomes apparent in the discussion that follows.

The *analysis and development* step starts after the identification of specific issues requiring a policy response. These issues may emerge from a ministry's strategic planning process, they may be referred by Cabinet, or they may be identified by the public or by a ministry's client group. Whatever the source or the nature of the issue, the analysis and development activity is aimed at specifying the essential elements of a policy proposal:

- issue definition: identification of the range of problems to be studied and the limits set on inquiry;
- policy objectives: specification of the intended outcome of the policy;
- option development: selection and elaboration of a range of policy choices that may be considered;
- option analysis: examination of the implications of each policy alternative; and
- potential problem and risk analysis: determination of the risks involved and possible responses to them if they should arise.

The analysis and development activity usually relies on consultation. Indeed, consultation is an integral part of every step in the policy development process. It takes place both formally and informally, and at a variety of levels within and beyond the ministry organization. The people involved in consultation may include:

- senior management and other managers within the ministry;
- senior managers in other ministries and in the central agencies of government, including the policy secretariats;
- members of outside interest groups and professional organizations; and
- the general public.

The analysis and development activity leads into the next step, *documentation.* At this stage, the content of the policy is set out in writing (perhaps in the form of green or white papers) and discussed with various people within and outside government. Through these discussions, the policy developers may obtain new ideas or perspectives that will lead them to reconsider some aspect of the proposed policy position. They may then return to the development stage. Discussion of the documented alternatives also may indicate the degree of consensus that exists for the preferred policy direction, and this too may prompt reconsideration of the proposal. When all the results of consultation have been weighed and acted upon, the policy proposal may be revised and finalized, frequently in the form of a cabinet submission.

The documentation of the finalized proposal initiates the third step, *presentation for approval.* The approval activity involves senior ministry management, the Minister, cabinet committees, and Cabinet. Upon approval, the first stage of the management cycle is completed. Figure 1 summarizes the activities involved in the policy development process.

Linkages to Other Ministry Management Processes

As mentioned earlier, policy development may result from the strategic planning process, or it may be initiated through some other channel. When a policy has been approved, it is implemented through incorporation into subsequent ministry planning processes — specifically, priority planning, resource planning and allocation, operational planning and budgeting and finally, program delivery. The linkages between these various processes are illustrated in Figure 2.

Figure 1 **Policy Development Process**

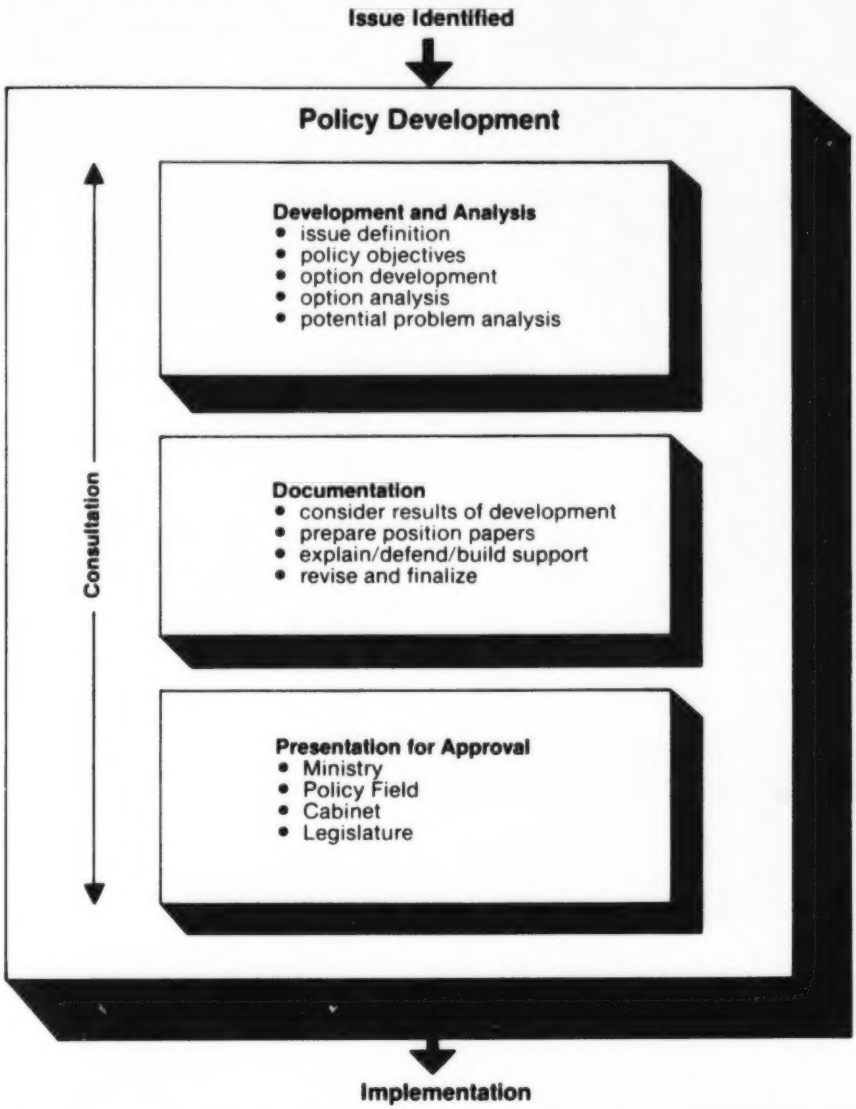
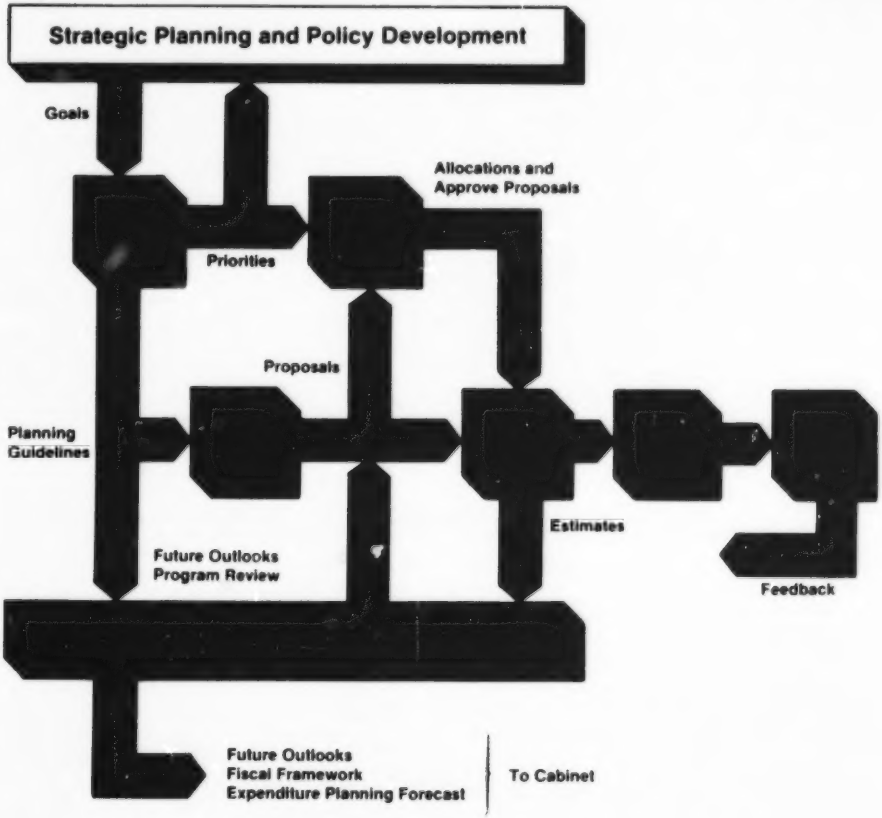


Figure 2 **Ministry Policy and Planning Processes**



Process Principles

The preceding discussion identifies several aspects of the policy development process that may be considered as general principles for its effective application.

In particular, policy development is effective when:

1. The process assists in resolving identified issues, satisfies established policy objectives, and meets public needs.
2. The process supports and responds to the political decision-making system, based on our democratic and responsible system of government, wherein the Minister is accountable to the Legislature and the public.
3 The process ensures the participation of all appropriate individuals within and beyond government organizations, including the various "publics" affected by government policy.
4. The process is linked to other planning, delivery, and evaluation processes to ensure effective implementation of policy.

3. Process Standards

The process standards set out here focus mainly on the tasks that should be performed in the policy development process. Individual ministries will decide how their resources should be organized for the performance of these various tasks.

All the tasks outlined should be performed whenever possible. There may, however, be occasions when particular steps must be omitted because of constraints imposed by time, confidentiality, or prior decisions. Even in these cases, the necessity for such constraints should be examined.

(i) Organization of the Process

The internal ogranization structure through which policy is developed is influenced by the nature of the issues to be addressed, the design of the larger ministry organization, and the management style of the senior management group. Whatever the structure, it should be compatible with the process principles outlined earlier and sufficiently flexible to respond to a variety of issues, both within the ministry's own sphere of responsibility and in the policy field of which it is a part.

Policy development and strategic planning are key ministry planning processes: from them, all others follow. Responsibility for organizing and initiating these processes therefore resides at the highest management level in a ministry, with the Deputy Minister.

Process Standard:

1. **The Deputy Minister is responsible for ensuring that a clearly defined policy development process exists in the Ministry.**

The Deputy Minister decides who is to be responsible for developing specific policies and formally assigns this responsibility to the selected senior staff. The respective roles should be defined before the process begins.

Process Standard:

2. **The roles and responsibilities for developing each policy are clearly assigned.**

A ministry's policy development efforts should be co-ordinated, so that they will be consistent and make the best use of available resources. They also should be structured to accommodate all sectors of the ministry organization that will be affected by or have an interest in the policy to be developed.

Effective coordination can be promoted by discussion and prior approval of proposed policy development initiatives at the most senior management levels within the ministry.

Process Standard:

3. **A mechanism exists for co-ordinating all ministry policies and for ensuring that proposals presented to the Minister are the result of consideration by the Deputy Minister and all senior ministry managers.**

(ii) Consultation

Wide-ranging consultation, beginning at the analysis and development stage and continuing throughout the process, provides a sound foundation for policy development. It exposes policy developers to a variety of ideas and views on the issue and thereby stimulates their thinking on possible ways of dealing with it. Consultation also serves the valuable purpose of indicating which policy measures are acceptable (at least in principle) and which are not — both among the people to whom these measures are directed and among ministry personnel who will be responsible for implementing them.

In some circumstances, formal consultation may be considered appropriate, and hearings may be held or written briefs requested regarding a specific policy issue. Such formalized public input is warranted when:

- The issue is of great public importance;
- A wide divergence of opinion exists;
- A variety of perspectives need to be considered;
- A large quantity of detailed information is required for the development of appropriate policy options;
- Wide consultation is required to identify additional issues and alternatives;
- There is a need to develop a public consensus around the preferred direction for public policy.

The costs of formal public consultation are considerable, and ministerial or Cabinet approval must be obtained for such arrangements. Policy developers should consider whether the required information might be gathered through other less costly channels such as special-interest groups and private or community organizations.

Process Standards:

4. **Adequate internal and external consultation takes place at all stages of the policy development process.**

5. **Those to be involved in the implementation of the policy are included in the policy development process.**

(iii) Analysis and Development

Issue Definition
Issue definition focuses first on the nature and scope of the problem to be addressed. Information from various sources (research findings, published literature, individuals, and groups) is used for the purpose of assessing the seriousness of the problem, determining whether attempts have been made to resolve it elsewhere, and evaluating the experience reported in other ministries or other jurisdictions. (A complete analysis of this information is usually performed at a later stage, when policy options are analyzed.) When the issue has been verified as requiring policy action, the general purpose of that policy is sketched out, and its effects on other issues or policy areas are estimated. The range of concerns to be considered in policy development also is specified, along with the extent of analysis required. A preliminary assessment is made of the factors that have caused the problem.

Process Standard:

6. **The issue to be addressed is clearly and accurately defined.**

After the issue has been defined, a plan for developing the policy is drawn up. It should specify the resources required, the methodologies to be used, the people and groups to be consulted, and the deadline for completion of the process. The plan is approved by senior ministry management before the work proceeds.

Process Standard:

7. **A specific plan for developing the policy is prepared and is approved by senior ministry management.**

Policy Objectives
Policy objectives indicate what the policy is intended to achieve. A policy may have many objectives, and they may vary in importance for those individuals and groups to whom the policy is directed.

It is essential to specify the objectives of a policy in the clearest possible terms. Precise definition of objectives focuses the entire development process. It gives the policy development group a firm framework within which to develop and analyze options. Equally important, it provides a basis for subsequent program development and evaluation.

Process Standard:

8. **Policy objectives are specified as clearly as possible.**

Policy objectives should be examined in relation to government and ministry goals, objectives, strategic plans, and other policies. They should be generally consistent with the established direction of government and ministry planning. If they diverge, it may be necessary to change the policy objectives, unless the divergence is considered appropriate and desirable (for example because the issue calls for a unique or innovative response). In the latter instance, the reasons for the divergence must be clearly explained.

Process Standard:

9. **Policy objectives are examined for consistency with Government and Ministry goals, objectives, and strategies and with other policies, and divergences are explained.**

Major Policy Areas
When policy development is focused on an area of major importance, the first three items in the analysis and development activity — issue definition, procedures to be used in policy development, and policy objectives — should be set out in specific terms of reference and approved before the process continues to the next stage. The terms of reference should be reviewed at the senior management level and in consultation with the Minister.

Process Standard:

10. **Major policies are reviewed by senior management, in consultation with the Minister, at a preliminary stage for the purpose of approving:**

    - **Issue definition,**
    - **Approach to be used in analysis and development, and**
    - **Policy objectives.**

Option Development
A range of options should be developed, even in those cases where one course of action seems far superior to any others. In order to generate a spectrum of choice, it is often necessary to identify an initial range of alternatives that is extensive and intentionally imaginative. This preliminary list of choices is studied carefully, and the implications for each are developed in relation to the policy objectives. Any alternatives that are obviously unsuitable are dropped; the remainder make up the list of policy options that will be analyzed.

Process Standard:

11. **A full range of policy options is identified and developed.**

Option Analysis
The depth of option analysis should be related to the requirements of the issue being addressed. In all cases, analysis must be sufficiently thorough to provide a sound basis for informed decision making. It should, in fact, be as complete as time and other resources allow. For analyzing policy options, each ministry should have a checklist of items to be addressed. The checklist should be appropriate to the specific needs of the ministry. (A sample is shown in Figure 3.)

Process Standard:

12. **Ministry develops and uses checklists of items to be covered in analyzing policy options.**

Potential Problem and Risk Analysis
With any new policy, there is the possibility that problems will arise during implementation or that the government's adoption of the policy will have negative repercussions in one or more sectors. If these problems and risks are identified at the stage of policy development, steps can be taken later, when the implementation plan is drawn up, to offset or minimize their effects.

Figure 3 **Sample Checklist for Option Analysis**

A.	**Appropriate Government Role**	• concise statement of issue • justification of public, as opposed to private, solution • degree of urgency • consideration of priority • consistency of resulting policies • intergovernmental implications, federal and municipal
B.	**Policy Analysis**	• analysis of cause of the problem • statement of research findings • review of experience in Ontario and other jurisdictions • indication of the extent to which policy solves the problem • full statement of other direct and indirect implications of option (both advantages and disadvantages)
C.	**Economic Impact Statement**	
	Private Sector:	• job creation/job loss • effect on investment capital • encouragement to the formation of new business • duplication of the intent and functions of existing organizations • effect on consumer prices • reduction of the incentive to work • the cost of compliance with regulations
	Public Sector:	• cost implications from decision through full implementation • cost efficiency • cost/benefit comparison • duplication or overlap with other government programs
D.	**Social Impact Statement**	• impact on dependence/independence • impact on maintenance of family responsibility • impact on voluntary sector • impact on northern communities; rural Ontario • impact on individual rights/responsibilities
E.	**Implementation Issues**	• technical feasibility • administrative feasibility • implications for staffing and staff relations

The final activity of the development phase consists of estimating what problems and risks may arise, how likely it is that they will arise, and what the consequences will be if they do arise.

Process Standard:

13. **Explicit consideration is given to the potential negative consequences of policy implementation and to the possibility that the policy may, as a result, have to be fundamentally modified or terminated.**

(iv) Documentation

Detailed guidelines exist for the preparation of submissions to Cabinet. In preparing submissions, staff should use those headings from the guidelines that are necessary and useful to a clear and complete understanding of the subject matter.

Process Standard:

14. **The guidelines for preparing cabinet submissions are followed.**

Major changes in policy direction must be explained to the public. For this reason, appropriate background material should be included in cabinet submissions.

Process Standard:

15. **Major government policy proposals are supported and explained by appropriate background material that can be used directly in communication with the public.**

(v) Presentation for Approval

Senior management is usually in the best position to make judgements about the range of objectives and options that ought to be pursued and the adequacy of option analysis. It requires the political insight of the Minister, however, to make value judgements about competing objectives and to judge the broad acceptability of various proposals. When the Minister has approved the policy proposal, it proceeds to Cabinet for final approval. The various options that have been considered are included in the submission to Cabinet, in accordance with the guidelines referred to earlier.

Process Standard:

16. **The Minister is presented with an appropriate range of policy options.**

While it is not the role of civil servants to make fundamental policy decisions, they do have a role in advising the goverr ment on the implications of each optional course of action.

Process Standard:

17. **Staff ensure that a comprehensive analysis of each option is presented so that the social, economic, financial and administrative implications of each alternative are adequately displayed.**

Within the government there exists a series of approval stages in which most policies are examined. Each of these stages has rules and procedures that must be complied with. While it is sometimes tempting to short-circuit the process, it must be remembered that these stages exist for several important purposes:

- to promote government solutions to government problems;
- to ensure consideration of all significant interests; and
- to verify or improve proposals as they are presented to different groups of decision-makers.

Accordingly, departures from the normal process should be the exception, not the rule.

Process Standard:

18. The appropriate government-wide processes and procedures for policy approval are adhered to.

In order to promote the best use of the approval process, ministries must provide other ministries and central agencies with sufficient time and information to appraise policy proposals. A mutual exchange of views also must occur as part of the process of consideration.

Process Standards:

19. Adequate time and information are given to other ministries and central agencies to evaluate and comment on policy proposals.

20. An appropriate exchange of views occurs with other ministries and central agencies.

(vi) Implementation

Implementation of policy falls outside the policy development process. Nevertheless, some consideration should be given to the linkages between development and implementation, in order to ensure that a close correspondence exists between policy as stated and policy as implemented.

In order to ensure proper implementation of policy, policy development staff should be available for consultation during the initial implementation stage. In addition, they should provide the implementation team with a statement of the policy objectives and associated evaluation criteria. These responsibilities do not require the direct involvement of policy development staff in implementation activities.

Process Standard:

21. The ministry staff who are responsible for policy development are available for consultation during the initial implementation stage.

Appendix A

Summary of Principles and Standards

Principles

1. The process assists in resolving identified issues, satisfies established policy objectives, and meets public needs.
2. The process supports and responds to the political decision-making system, based on our democratic and responsible system of government, wherein the Minister is accountable to the Legislature and the public.
3. The process ensures the participation of all appropriate individuals within and beyond government organizations, including the various "publics" affected by government policy.
4. The process is linked to other planning, delivery and evaluation processes to ensure effective implementation of policy.

Standards

Overall Process

1. The Deputy Minister is responsible for ensuring that a clearly defined policy development process exists in the ministry.
2. The roles and responsibilities for developing each policy are clearly assigned.
3. A mechanism exists for co-ordinating all ministry policies and for ensuring that proposals presented to the minister are the result of consideration by the Deputy Minister and all senior ministry managers.

Consultative Process

4. Adequate internal and external consultation takes place at all stages of the policy development process.
5. Those to be involved in the implementation of the policy are included in the policy development process.

Analysis and Development

6. The issue to be addressed is clearly and accurately defined.
7. A specific plan for developing the policy is prepared and is approved by senior ministry management.
8. Policy objectives are specified as clearly as possible.
9. Policy objectives are examined for consistency with government and ministry goals, objectives and strategies and with other policies, and any divergences are explained.
10. Major policies are reviewed by senior management, in consultation with the Minister, at a preliminary stage for the purpose of approving:
    - issue definition,
    - approach to be used in analysis and development, and
    - policy objectives.
11. A full range of policy options is identified and developed.
12. Ministries develop and use checklists of items to be covered in analyzing policy options.
13. Explicit consideration is given to potential negative consequences of policy implementation and to the possibility that the policy may, as a result, have to be fundamentally modified or terminated.

Documentation

14. The guidelines for preparing cabinet submissions are followed.
15. Major government policy proposals are supported and explained by appropriate background material which can be used directly in communication with the public.

Presentation for Approval

16. The Minister is presented with an appropriate range of policy options.
17. Staff ensure that a comprehensive analysis of each option is presented so that the social, economic, financial and administrative implications of each alternative are adequately displayed.
18. The appropriate government-wide procedures for policy approval are adhered to.
19. Adequate time and information are given to other ministries and central agencies to evaluate and comment on policy proposals.
20. An appropriate exchange of views occurs with other ministries and central agencies.

Implementation

21. The ministry staff who are responsible for policy development are available for consultation during the initial implementation stage.

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